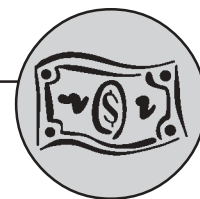


PRE-TAX PLAN - 2008



Administered by the State of Montana Health Care and Benefits Division
1-800-287-8266 or 444-7462 in Helena • www.benefits.mt.gov

Benefit of Participation

Pre-tax Eligible

Eligible Premiums

- Medical, dental, vision, accidental death & dismemberment coverage, up to \$50,000 in employee term life, long term disability and flexible spending account elections.

****IRS regulations do not permit refunds of premiums paid pre-tax. Be sure to notify the Health Care and Benefits Division of any changes as soon as possible to avoid losing premiums.***

GENERAL INFORMATION

The State offers benefits to employees who are eligible through a cafeteria plan as authorized by Section 125 of the Internal Revenue Code.

The Pre-tax Plan allows you to pay for your portion of most of your insurance premiums on a pre-tax basis, and save money on your taxes. If the state contribution covers your insurance elections entirely, you do not pay premiums out-of-pocket. If so, you do not need to participate in the Pre-tax Plan, unless you have a Flexible Spending Account. Benefit Plan members enrolled in a Flexible Spending Account must participate in the Pre-tax Plan.

WHO IS ELIGIBLE?

All employees enrolled in the State Employee Benefit Plan are eligible to participate in the Pre-tax Plan.

Your current election will continue unless you change your election on the

Individual Benefits Statement form. Employees who enroll in a Flexible Spending Account are required to participate in the Pre-tax Plan.

ELIGIBLE BENEFITS

Premiums for the member's medical, dental, vision, accidental death & dismemberment (AD&D), employee term life, long term disability, and flexible spending elections may be paid pre-tax through the Pre-tax Plan. Additionally, premiums for the member's tax qualified dependents are also eligible for this plan.

INELIGIBLE BENEFITS

Dependent life insurance coverage, supplemental spouse life insurance coverage, and Long Term Care insurance coverage are defined by IRS code as taxable benefits and are excluded from the Pre-tax Plan. Member's non-qualified tax dependents do not qualify for the pre-tax plan.

RETIREES & COBRA MEMBERS

Retirees and COBRA members may prepay premiums up to the end of the year on a pre-tax basis. However, if you are thinking about leaving State employment and either taking COBRA or retiring, consider your circumstances carefully before prepaying premiums. If you have mid-year coverage changes that reduce the amount of your premium, *no refund of premiums is available.*

If you are on COBRA and you or your spouse lose eligibility because you obtain other employment offering coverage or become eligible for Medicare, *no refund of prepaid premiums is available.*

If you are a retiree and no longer need state insurance because of other coverage, *no refund of prepaid premiums is available.*

Consult your tax advisor to determine the specific effect the Pre-tax Plan will have on your taxes.

LOSS OF ELIGIBILITY

If the employee divorces, their spouse and any stepchildren will lose their eligibility.

Dependent children will lose their eligibility if/when the dependent child turns 25 years old, marries or joins the military. Dependents losing eligibility for coverage due to divorce, turning age 25, or marriage will become ineligible at the end of the month for which a partial or full premium has been paid.

WHAT'S THE CATCH?

According to an interpretation of IRS rules, a potential drawback of the Pre-tax Plan is that no refund of overpaid premiums is available. This means you must notify the Health Care and Benefits Division right away if a dependent spouse or child loses eligibility for coverage. If you do not notify the Division of a loss of eligibility, and more premiums are taken out of your check than you owe, no refund of premiums is available. Also, remember that gross earnings for purposes of determining social security benefits are reduced by pre-tax deductions.